

# **FISCAL AUDIT GUIDELINES FOR COUNTY COMMISSIONS**

**July 1, 2001 through June 30, 2002**

## **A. GENERAL GUIDELINES**

The audit should consist of a financial and compliance examination of all revenues received and distributed from each county's local Children and Families Trust Fund. The audit should be performed by an independent separate third party, either a private professional concern or a separate governmental agency or office. Every audit should be performed in accordance with generally accepted auditing standards, as promulgated by the American Institute of Certified Public Accountants, and generally accepted governmental auditing standards issued by the United States General Accounting Office for financial and compliance audits.

The audit should include a full review of the county commission's compliance to State statutes governing the Children and Families Trust Fund. The auditor selected should be fully cognizant of the laws and regulations affecting the funds distributed to county commissions.

## **B. REQUIRED DOCUMENTS**

### **1. Financial statement.**

A balance sheet of assets and liabilities. A statement which includes all revenues received, including but not restricted to, Proposition 10, grants, county funds, grants received from the state commission, interest accrued, and expenditures and encumbrances classified by type and program. The information on program expenditures may be included in either the financial statement or audited supplementary information. Notes to the financial statement should include the auditor's opinion of the financial report, and the identification of any findings related to the use of funds. The audit must include a final balance of the commission's trust fund.

### **2. Special Funds**

Many county commissions receive special funding for Retention Incentives and School Readiness from the State Commission. Those funds should be addressed separately, including revenues, expenditures and final balance and all other appropriate elements of review.

3. Report on compliance from auditor.

Compliance with laws, regulations and requirements affecting the program's management of funds received by the county Children and Families Commission; state laws and regulations that affect the use, reporting and auditing of fiscal information with the exception of the supplant requirement. A statement specifying that commission funds have been used only to supplement, but not to supplant, existing programs must be included, but may be certified by either the auditor or the county commission.

4. Report on internal controls from auditor.

The county commission is required to establish separate accounting records for receipt, deposit, and disbursement of all funds disbursed by the Children & Families Trust Fund. The county commission is also required to maintain books, records, documents and other evidence sufficient to reflect properly the amount, receipt and disposition of all commission funds. All commission records relevant to the project will be preserved a minimum of three years after the annual audit, and shall be subject at all reasonable times to inspection, monitoring, copying and audit by the Bureau of State Audits (Government Code Section 10528). See attached government codes affecting the requirements of all agencies receiving funds from or through the state.

5. The report on compliance and report on internal controls may be included in one letter with both pieces of information.

C. OTHER ITEMS COUNTIES CAN INCLUDE IN THE AUDIT

The following recommendations will assist county commissions to effectively manage their trust fund accounts, and may be included in the audit.

1. Evaluation of internal controls.

The auditor should evaluate the county commissions procedures and policies established to ensure that funds are expended according to the statutory limitations. The auditor should include a description of the scope of the audit in obtaining an understanding of the internal control structure and in assessing the control risk.

- a) Description of statements covered and the period covered.
- b) An opinion from the auditor as to whether all generally required audit scope materials were available for review and were satisfactory. If an unqualified opinion cannot be expressed, state the nature of the qualification, reservation or exception.
- c) A management letter describing immaterial instances of non-compliance and/or matters involving internal control.